

Message Text

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PAGE 01 ADDIS 04540 261315Z

ACTION EB-08

INFO OCT-01 AF-10 ISO-00 COME-00 TRSE-00 OMB-01 AID-05

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FM AMEMBASSY ADDIS ABABA

TO SECSTATE WASHDC 4992

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E.O. 11652: N/A

TAGS: EINV ET

SUBJECT: EXPROPRIATION OF U.S. INVESTMENTS

REF: STATE 169462 AND PREVIOUS

1. WHILE EMBASSY SHARES DEPARTMENT'S CONCERN OVER FAILURE OF EPMG TO MAKE FASTER PROGRESS ON SETTLEMENT OF OUTSTANDING CLAIMS BY NATIONALIZED US INVESTORS, WE DOUBT THAT DISCUSSION BY REPRESENTATIVES OF SUCH FIRMS WITH THE COMPENSATION COMMISSION WOULD BE VERY FRUITFUL. COMPENSATION COMMISSION HAS MET WITH REPRESENTATIVES OF NATIONALIZED FIRMS BUT THESE MEETINGS HAVE CONSISTENTLY INVOLVED VERY GENERAL DISCUSSION ABOUT THE PROGRESS COMPENSATION COMMISSION IS MAKING IN PREPARING FOR NEGOTIATIONS. CONSEQUENTLY, SHOULD WE SEEK AN APPOINTMENT ON BEHALF OF AXUM AIRLINES OR ETHIO GUM/MILLE FARMS, WE WOULD ALMOST CERTAINLY OBTAIN ONE, BUT UNTIL THE COMPENSATION COMMISSION CLEARLY INDICATES THAT IT IS READY TO NEGOTIATE WITH EITHER ONE OF THESE TWO FIRMS (OR ANY OTHER AFFECTED FIRM), LITTLE OF SUBSTANCE IS LIKELY TO COME OUT OF THE MEETING.

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PAGE 02 ADDIS 04540 261315Z

2. THE EMBASSY SUGGESTS INSTEAD THAT ECON/COMM COUNSELOR DISCUSS THE MATTER ONCE AGAIN WITH ATO WOLLE CHEKOL, HEAD ECONOMIC AND CULTURAL DEPARTMENT, MINISTRY OF FOREIGN AFFAIRS, UPON HIS RETURN FROM TRIPOLI, EMPHASIZING THE IMPORTANCE OF AN ANSWER TO OUR MOST RECENT NOTE. WE HAVE LEARNED INFORMALLY THAT THE COMPENSATION COMMISSION, DURING A RECENT

MEETING WITH HVA INTERESTS (SUGAR ESTATES PREVIOUSLY MAJORITY OWNED BY CUTCH INTERESTS), STATED THAT NEGOTIATIONS COULD BE ANTICIPATED WITHIN THE "NEXT FEW WEEKS". IN ADDITION, THE COMPENSATION COMMISSION HAS PLACED A MAN IN HVA HEADQUARTERS, APPARENTLY IN CONNECTION WITH PREPARATION FOR THESE NEGOTIATIONS. A REPRESENTATIVE OF MITCHELL COTTS, PREVIOUSLY MAJORITY SHAREHOLDER OF TENDEHO COTTON PLANTATION, IN A RECENT MEETING WITH COMPENSATION COMMISSION OFFICIALS, ALSO WAS TOLD THAT THE COMMISSION WOULD BEGIN NEGOTIATIONS "WITHIN A FEW WEEKS". BASED ON THE FOREGOING, AS WELL AS ATO WOLLE'S COMMENTS TO THE ECON/COMM COUNSELOR WHEN HE DELIVERED OUR LAST NOTE (ADDIS 3815), MOFA MAY NOW BE ABLE TO GIVE US A RELATIVELY SPECIFIC DATE WHEN NEGOTIATIONS WITH AFFECTED BUSINESS FIRMS WILL START.

3. WE ALSO BELIEVE THAT THE CHARGE SHOULD RAISE THIS MATTER WITH THE FOREIGN MINISTER, IF WE ARE CONSIDERING THE IMPOSITION OF SANCTIONS REQUIRED BY HICKENLOOPER, GONZALEZ AND TRADE ACT PROVISIONS, IN THE NEAR FUTURE. OBVIOUSLY, THE IMPLICATIONS FOR OUR BILATERAL RELATIONS OF SUCH ACTION ON OUR PART COULD BE EXTREMELY DAMAGING AS OUR AID PROGRAM CONSTITUTES A MAJOR COMPONENT OF OUR BILATERAL RELATIONS.

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PAGE 03 ADDIS 04540 261315Z

4. WE ALSO NOTE THREE OTHER CONSIDERATIONS. FIRST, WE HAVE RECEIVED NO REPEAT NO INDICATIONS OF IMPATIENCE RE COMPENSATION ON THE PART OF MAJOR AMERICAN NATIONALIZED INTERESTS OVER THE LAST SEVERAL MONTHS. WE HAVE, HOWEVER, HAD ONE OR TWO EXPRESSIONS OF CONCERN FROM MISSIONARIES WHOSE AIRCRAFT WERE NATIONALIZED. SECOND, IN OUR VIEW THE COMPENSATION COMMISSION IS WORKING IN GOOD FAITH. BASED ON OUR EXPERIENCE WITH OTHER ISSUES OF THIS TYPE, SUCH AS PROTECTION AND WELFARE CASES AND TAX DISPUTES, WE HAVE FOUND THAT, WHILE THE PROCEDURES FOLLOWED BY THE EPMG ARE VERY SLOW, THEY NEVERTHELESS DO COME TO A CONCLUSION AND, IN ALMOST ALL CASES, HAVE BEEN FAVORABLE TO OUR INTERESTS. GIVEN THE CURRENT ENVIRONMENT IN ETHIOPIA, IT IS NOT TOO SURPRISING THAT EPMG OFFICIALS PROCEED AT A VERY CAUTIOUS AND DELIBERATIVE PACE. THIRD, WE DOUBT VERY MUCH THAT IMPOSITION OF HICKENLOOPER, GONZALEZ AND TRADE ACT PROVISIONS WOULD BE HELPFUL AT ALL TO FIRMS AFFECTED. PRESUMPTION OF PENALTY CLAUSES OF THREE IS THAT AFFECTED COUNTRY WILL SEE LIGHT AND

RATHER THAN RISK LOSS OF US ASSISTANCE WILL TAKE MEASURES TO PREVENT IT. EPMG HAS INDEED INDICATED TO US A DESIRE TO CONTINUE US ASSISTANCE, BUT GIVEN FRAGILE NATURE OF OUR BILATERAL RELATIONS NOW, IT QUITE POSSIBLE THAT FACED WITH IMMINENT TERMINATION OF US AID PROGRAM, EPMG MIGHT SIMPLY ACCEPT IT, AND US COMPANIES COULD FIND THEMSELVES OUT IN COLD FOR A LONG TIME. WE DO NOT THINK THIS A RISK WORTH TAKING AT LEAST SO LONG AS WE BELIEVE THAT EPMG IN ITS OWN WAY IS MOVING TOWARD EVENTUAL COMPENSATION.

5. PLEASE ADVISE.
TIENKEN

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